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POLICY IMPLICATIONS OF RECENT DEVELOPMENTS IN AFRICA'S INTERNATIONAL TRADE RELATIONS

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INTRODUCTION

1. Co-operation and interdependence have generally been accepted as an astute and farsighted framework within which international relations between developed and developing countries took place. It was expected that this would become a major pre-requisite for devising adequate policies to deal effectively with the world economic recovery. However, such co-operation showed discouraging trends evidenced by the reluctance of developed countries to modify their trade and economic policies so as to improve the development prospects of the third world.

2. With regard to international trade, the African crisis has been aggravated by the following critical factors:

(a) the collapse in primary commodity prices of major interest to African countries which generally continue to remain less remunerative to African producing countries;

(b) the fluctuations in the exchange rates of major countries which continue to frustrate Africa's trade policy and have placed the economies in disarray;

(c) the persistent adverse balance of trade of many African countries resulting from drastic reductions in export earnings while at the same time facing increasing import bills;

(d) the continuing dependence of many African countries on exports of a few primary commodities, aggravated by heavy imports of food. This has been a direct result of past development policy which emphasized the production of cash crops to the detriment of food production, especially staple foodgrains.

3. The gravity of the global economic crisis, manifested more particularly through the international trade relations and the failure of international fora to deal adequately with the critical issues of African development are matters of great concern to Africa. 1/ As the plight of Africa worsened, its trade policies have become a focal point of constant review particularly since the alarming and significant deteriorating socio-economic conditions in Africa have been exacerbated by the weakness in Africa's trade policy. The central issue of the analysis of the policy implications of the developments in the Africa's international trade relations should therefore be on Africa's trade policies and the extend to which special circumstances in the developed countries vitiate the traditional trade relations and what strategy the region should adopt in the light of failures in the international negotiations aimed at improving Africa's development through international trade.

1/ See Libreville Memorandum on Trade and Development - E/ECA/OAU/TRADE/1.

4. The objective of this paper is to briefly review Africa's trade policy in the light of recent international development. Perhaps the weakest aspect of Africa's trade policy is the continuation of neo-colonialistic ideas and models. Neither the trade objectives nor the terms of reference of trade institutions are redesigned to cope with the structural transformation as set out in the Lagos Plan of Action and the Final Act of Lagos. Even after the adoption of the Lagos Plan of Action, policy makers in Africa still fail to either understand or to alter the real forces on which their international trade depends for the results they seek to attain.

(i) Results of UNCTAD VI and how they affect African policy

5. The failure of UNCTAD VI to meet African expectations has developed a crisis of confidence in the international economic relations. 2/ It has further demonstrated that international fora particularly that of UNCTAD has no mechanism of pressuring member States to implement decisions and resolutions even when there has been a general consensus. African countries had generally expected UNCTAD VI to come forward with concrete measures and solutions to their burning issues of commodities. Reviewed from the standpoint of the importance of commodities for Africa's survival, it was quite natural for countries of African region to pin their hopes on the results of UNCTAD VI negotiations, especially with regard to the implementation of various components of the Integrated Programme for Commodities (IPC).

6. As things turned out todate, no credible achievements have been attained in the field of commodities. The same is true with regard to programmes for co-operation in processing, marketing and transportation, establishment of a complementary financing facility of export earning shortfalls, or accessibility for processed and semi-processed products of Africa into the markets of industrialized countries. Instead, protectionist barriers have been intensified in the industrialized nations and negotiations in most appropriate fora frustrated.

7. There is no doubt, that the procrastinations in the fora mainly masquerade the real objectives of simply reinforcing the old colonial patterns of international trade, so that Africa's development would continue to hinge on the exports of agricultural raw materials, primary commodities and minerals.

2/ See ECA, Review and Assessment of the Sixth session of the United Nations Conference on Trade and Development, Addis Ababa, May 1984 (E/ECA/OAU/TRADE/11).

8. Therefore, at the international level, the African countries are urged to intensify their efforts in the following critical areas:

(a) to appeal for the abolition of protectionism in industrialized as well as other developing countries and the implementation of UNCTAD resolution 93(IV) on the Integrated Programme for Commodities;

(b) the Common Fund should be fully implemented and its resources augumented especially in view of the social and economic crisis in Africa;

(c) mechanisms for consultations should be strengthened within the Group of 77 to ensure that UNCTAD decisions are implemented. To this end, African countries should fully support and press for the implementation of the Global System of Preferences among Developing Countries (GSTP) and the Caracas Programme of Action on Economic Co-operation among Developing Countries

(d) mechanisms for North-South negotiations within the framework of UNCTAD should be redefined and strengthened to ensure that these respond adequately to African needs.

9. At the African level, some policy reforms are absolutely necessary if the countries have to effectively influence international negotiations while at the same time fully benefitting from North-South relations. In particular, the following measures are essential:

(a) if export diversification is to become possible for majority of African countries, the structures of production and distribution must be redesigned. To this end, policy makers should be urged to initiate early action on issues which should be addressed during UNCTAD VII taking into account experiences of the previous session of UNCTAD VI;

(b) it is important for African states to address themselves to the implementation of strategy laid out in the Lagos Plan of Action in the field of trade.

10. The Lagos Plan of Action (LPA) sets out broad framework for long-term development in relation to commodities and international trade. It strongly urges diversification both structurally and geographically with a view to encouraging African states to use their primary commodity as a proper base for development. This is mainly because diversified export portfolio would allow fluctuations in the exports earnings of some commodities to be off-set by counteracting fluctuations in other commodities.

(ii) The Lomé Convention: Policy Implications

11. The negotiations of the Lomé III Convention and implications of the Lomé I and II Conventions can best be examined within the perview of their objectives and structure of the economic system within which the European Economic Community (EEC) functions. In the field of trade co-operation, the objectives of Lomé Conventions have consistently been to promote trade between the contracting parties taking into account their respective levels of development and in particular, of the need to secure additional benefits for trade of ACP states, in order to accelerate the rate of growth of their trade and improve the conditions of access of their products to the community markets, so as to ensure a better balance in the trade of the contracting parties. 3/ The Lomé Conventions were also expected to improve EEC-ACP trade relations, while the economic and trade basic structures of ACP countries should have changed significantly during the past ten years.

12. A glance at the operation of the Lomé Conventions, however, reveals that some provisions under trade co-operation tend to impede the achievements of the said objectives. For instance, the duty-free acess offered ACP states embodies serious restrictions. Some ACP export products are subject to quantitative restrictions. Furthermore, the clauses in the rules of origin are so designed as to prevent non-EEC countries from investing in the ACP states, thereby limiting the inflow of investments from other sources which would increase production and export capacity of ACP countries for the duty free markets of EEC. Currently, all unprocessed minerals, vegetables, animal products, with the exception of those which fall within the Common Agricultural Policy, have free unrestricted access to EEC markets. Restrictions are imposed, however, where goods used in the manufacture or processing of these raw materials come from outside ACP states. It is clear that encouraging duty free imports of unprocessed minerals and imposing restrictions where goods used in manufacturing or processing of the raw materials come from outside ACP states, the provisions are designed to prevent ACP states from forging any outward-oriented industrial ventures and/or co-operation with non EEC/ACP states. ACP states are therefore unable to initiate industrial co-operation with other developing or developed countries outside ACP. Consequently, the ACP states are unable to increase the capacity of their preferential exports.

13. The protectionist and other non-tariff barriers against ACP products are complex and numerous. It may be recalled that during the negotiations for renewal of Lomé Convention, the EEC made it clear that textiles from ACP would be subject to quantitative limits under the Multifibre Arrangements. 4/

3/ ACP-EEC Convention of Lomé, Brussels, 1975, p.25.

4/ See E/ECA/TRADE/8 - Comments on ACP Memorandum for the Negotiations for the Successor Arrangement to Lomé II Convention.

This has presented difficulties in the attainment of the objectives of the Lagos Plan of Action (LPA) especially with regard to measures to increase the manufacturing capabilities and hence the export of finished goods from African countries.

14. The ACP-EEC trade relations show that as a platform for North-South dialogue, the Lomé Convention has become a formidable institution which focusses attention on issues affecting ACP states. However, such platform has failed to change significantly the trade structure of the ACP countries in the last ten years of co-operation. While the ACP-EEC trade relations have improved, the Convention has entrenched the economic dependency of ACP countries on EEC. The tendencies can be observed in the world trade, that relative share of Africa in ACP exports shows significant decline, while other non-ACP developing countries are increasingly benefitting in their relations with EEC.

15. Another equally disturbing feature is that neither stabilization of export earning scheme (Stabex) nor special financing facility for mining products (Sysmin) have been geared toward creating international trade relation with specific objective of enhancing genuing economic growth and development in ACP states. In fact, all that these two systems do is to sustain the colonial system whereby the ACP continue to supply the industries of EEC with raw materials. This fact is clearly reflected in the preference by EEC that trade be based on unprocessed commodities while they continue to impose tough restrictions on processed and semi-manufactured products.

16. Improvements are essential if ACP-EEC trade relations are to become an avenue of possible solution to problems of Africa's economic development. These improvements must effectively be carried out through continuous negotiations and by strengthening the negotiating teams of the ACP groups. More specifically, the African countries should press for the following measures:

(a) that the basis for calculations of STABEX payments to eligible ACP states be constantly reviewed in order to ensure that it reflects the real needs of the ACP states;

(b) the industrialization programmes should be stepped up in the ACP countries to focus especially on food production and agricultural development. The rehabilitation and reconstruction of agro-industries devastated by the drought, desertification and other natural calamities should constitute the priority programme in this respect;

(c) the EEC should assist the ACP countries to restructure their trade patterns, especially export promotion and import management and procurement. To this end, the EEC should desist from imposing further trade restrictions and should adopt effective ways of removing the existing ones so as to enable the ACP states to take full advantage of the Lomé Convention;

(d) the ACP states should pay greater attention to intra-ACP trade and economic co-operation. On their part, the EEC should increase resources towards intra-ACP co-operation.

(iii) Generalized System of Trade Preferences (GSTP)

17. The proposed Generalized System of Trade Preferences aims at contributing to changes in the composition of exports in favour of processed and semi-manufactured products. 5/ Therefore, it implies improvement in Africa's industrial production. Viewed from Africa's industrial point, GSTP is likely to lay the basis for exports of Africa's manufactures which are merely facing restricts into the markets of the developed countries as well as into the markets of other developing countries. 6/

18. GSTP should be considered as supportive arrangement aimed at supplementing Africa's efforts in the implementation of the Lagos Plan of Action which inter-alia reiterates the establishment of self-sustained economic development. Particular attention should be paid to the fact that the proposed GSTP does not erode the existing preferential arrangements within Africa's subregional groupings. Thus, GSTP should strengthen Africa's newly established structures such as the Preferential Trade Area (PTA), Economic Community of Central African States (ECCAS) and Economic Community of West African States (ECOWAS) which are the main pilars of Africa's diversification strategy.

19. An appeal should therefore be made to all African member States that they should participate fully and effectively in the negotiations for the establishment of GSTP and should ensure effective unified position in order to safeguard critical issues of interest to Africa. The secretariat of ECA has continued and will continue to provide logistic support to member States in the negotiations on GSTP. What now remains, is for member States to decide how best to derive benefits from the proposed GSTP.

5/ For full information on GSTP, see UNCTAD document TD/B/702 - TD/B/C.7/9, 1978, p.7.

6/ See document E/ECA/TRADE/27.

(iv) Policy implications of Africa's trade promotion with the Socialist countries of Eastern Europe

20. The African countries have expressed strong desire to diversify their trade relation both geographically and structurally. The most important declaration was made when Heads of State and Government of Organization of African Unity (OAU) at their Extraordinary session in 1980 recommended the promotion and expansion of trade and economic relation with developed centrally planned economy countries as a means of geographical and structural diversification to Africa's present trade patterns. 7/

21. Since 1980, the ECA secretariat in collaboration with UNCTAD secretariat have carried out studies, seminars, symposium with a view to acquainting African officials with the foreign trade policies, modalities and obstacles that inhibit smooth trade relation with the socialist countries. A closer examination of bilateral trade between few African countries and the Socialist countries of Eastern Europe reflects a number of obstacles which should be overcome before trade on a wider and permanent basis can be forged. 8/

22. Evidence shows that transport is a serious barrier to trade promotion between a majority of African countries and in particular for the landlocked countries with the socialist countries of Eastern Europe. Payments arrangements are also a stumbling block as the socialist countries insist that transaction be effected in hard or convertible currencies. Trade deficit is increasingly against African trade partners of the socialist countries.

23. Therefore in order to improve this new channel of trade, the following measures are proposed:

(a) the socialist countries of Eastern Europe should be requested to desist from adopting protectionist measures against goods from developing African countries, especially manufacture and semi-processed products;

(b) a payments and clearing system should be established within which trade between Africa and the socialist countries of Eastern Europe should be financed. This would improve the ability of the African countries to take advantage of these relations;

(c) trade promotion, marketing research and trade information exchanges should be intensified between the two groups of countries in order to enhance the opportunities for bilateral and multilateral exchanges.

7/ OAU, Lagos Plan of Action for Development of Africa, 1980-2000, page 87.

8/ See also ECA «A Synopsis on improving trade and economic relations between the Least Developed African Countries (LDCs) with the Socialist Countries of Eastern Europe», page 6.

(d) trade missions and business tours between Africa and the socialist countries of Eastern Europe should be encouraged as the basis for effective trade and co-operation among them.

Concluding remarks

24. Recent developments in Africa's international trade relations are a matter which calls for serious re-thinking. Prices of primary commodities which collapsed in 1980, continue to be depressed except for a few commodities whose prices have somewhat picked up. Similarly, many African countries continue to face large deficits in both their trade balances as well as balance of payments deficits. Imports are mounting while exports are dwindling at a faster rate. In short, Africa faces a trade crisis requiring far-reaching trade adjustment policy. One of the factors which calls for the search for alternative approach to trade growth and development is the realization that for Africa, the export-led growth or development has not yielded the required results. This is partly because in the African context, international trade was originally geared towards perpetual dependency of Africa on the developed countries.

25. The recommendations in this brief paper aim at reinforcing the Lagos Plan of Action which lays down the foundation upon which an equitable international trade system should be built. The Lagos Plan of Action, therefore, implies that international trade should be auxillary to Africa's development efforts through intra-African trade and should not substitute the major pillar or cornerstone for Africa's development.